

## **INCOME TAXES PAYABLE BY CREDIT CARD**

WASHINGTON -- A new payment option for federal income taxes starts today -- put the balance due on a credit card. The Internal Revenue Service is piloting two different ways for taxpayers to charge their taxes owed -- by phone and by computer.

Once they have determined the amount owed, taxpayers may make a toll-free call to 1-888-2PAY-TAX and arrange payment of their 1998 taxes with a MasterCard, Discover, or American Express card.

The computer option for paying by credit card is available only for those using Intuit tax preparation software to file from home. Under an arrangement between Intuit and Discover Card, e-filers will be able to charge their balance due to a Discover Card brand card. The payment information will be part of the electronic file they send. This pilot will begin Feb. 28.

With either method, private sector companies will process the credit card transactions and report the payment amounts -- but not the credit card numbers -- to the IRS. Users will pay convenience fees. The IRS is not involved in the setting or collection of such fees. The law allowing tax payments by credit card prohibited the government from paying fees to the credit card companies.

Although these credit card pilots were designed to complement the paperless experience of e-filing, the pay-by-phone system is not linked to the manner of filing. Thus, even those who file a paper tax return may call the toll-free number to charge a tax payment.

Other payment alternatives for those who don't have the full balance due when filing include obtaining a bank loan or setting up an installment agreement with the IRS. There is a \$43 user fee for an installment agreement, plus interest and penalty charges on unpaid balances. Taxpayers may use Form 9465 to request an installment agreement.

The law now gives taxpayers a right to an installment agreement when they are unable to pay if the balance due is not more than \$10,000, the tax will be fully paid within three years, and, during the previous five years, the taxpayer has not failed to either file returns or pay taxes and has not had an installment agreement.

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